

**MINUTES**  
**Approved by the Committee**  
**Property Taxes and Revenue Expenditures**  
**Friday, July 17, 2020**  
**9:00 A.M.**  
**Room WW02**  
**Boise, Idaho**

Co-chair Addis called the Property Taxes and Revenue Expenditures Committee to order at 9:03 a.m.; a silent rollcall was taken.

Committee members in attendance: Co-chair Jim Rice and Co-chair Jim Addis; Senators Jim Guthrie, Kelly Anthon, and Jim Woodward; and Representatives Mike Moyle, Jason Monks, Rod Furniss, John Vander Woude, Terry Gestrin, and John Gannon. Senators Scott Grow and Grant Burgoyne; and Representative Lauren Necochea attended via videoconference. LSO staff present were: Kristin Ford, Keith Bybee (via videoconference), and Ana Lara.

**Opening Remarks - Senator Rice and Representative Addis, Co-chairs**

In his opening remarks, Co-chair Addis emphasized the importance of keeping the taxpayer at the center of any discussion regarding property taxes. He commented on the committee's unique opportunity to recommend long-term structural changes and policy changes, as well as make the budgeting process transparent and easier to understand for the taxpayers.

Co-chair Rice stated that this meeting would focus on transparency and accountability in government. He asked local governments to analyze and identify any waste in government spending.

**Overview On Major Taxing Districts (via video conference) - Keith Bybee, Deputy Division Manager, Budget and Policy Analysis Division, LSO**

Co-chair Addis called upon Mr. Bybee to begin his presentation. Mr. Bybee explained that his [presentation](#) would touch on the following points:

- Requirements for local government budget submission to the State;
- Overview of property tax data presented to the Property Tax Working Group last fall; and
- Current data requests; and Ideas for additional submission requirements.

Mr. Bybee referred to Sections 63-803 & 804, Idaho Code, and Sections 63-808 & 809, Idaho Code, that specify the requirements of submission of local government data to the county commissioners and the Idaho State Tax Commission, respectively.

Mr. Bybee stated that the Section 67-450(b-e), Idaho Code, requires local governments and taxing districts to obtain independent audits and submit the annual audit, or expenditure information, to the Legislative Services Auditor. He noted that the budget information lacks uniform format structure among the 1,100 local government and taxing districts that submit their budgets to the Legislative Services Auditor and this makes sorting the data quite difficult.

Mr. Bybee noted that Section 50-1003, Idaho Code, requires cities to pass an annual appropriation ordinance and file it with the Secretary of State.

Mr. Bybee proceeded to slide 5 and explained that this budget data had been submitted to the Idaho State Tax Commission and presented to the Property Tax Working Group last year. He noted that while the data was outdated, the slide was meant to help illustrate the challenges that it poses for data analytics. He explained that counties submit excel files regarding their levies and property taxes that are then imported into the Idaho State Tax Commission's database. Those files are created to measure property tax and assess values and levy rates. He noted that the form is unclear whether the local taxing districts are to submit all the budget information or just the budget

information affected by property taxes. He noted a lack of consistency regarding what budget information is reported by local taxing districts.

Mr. Bybee proceeded to slide 6 which provided an example of a county budget submission to the Idaho State Tax Commission on the excel form known as “L2.” He briefly summarized the budget information, noting that some local governments choose to not include the solid waste program on the form, which causes an understatement in the “total budget” column on the previous slide, and makes it difficult to compare budgets accurately. He noted that while the form contained valuable information, it did not capture all the budgetary information needed to make accurate comparisons or to analyze whether the State has created, through statute, any unfunded mandates to local government units. He emphasized the importance of structuring the budgets in a manner that makes it easier to compare, contrast, and analyze accurately.

Mr. Bybee proceeded to slides 7-8 and explained that he had developed the charts to help address the lack of consistency among budget reports from the local governments. He submitted a survey request to obtain this budget information and received responses from 24 of the 30 cities surveyed. He noted that, because some cities don’t have a specific set aside for a rainy day fund, some assumptions were made to the fund balances.

Mr. Bybee informed the committee about a survey he is working on with the Idaho Association of Counties to generate a way to examine programmatic budgets at the county level (slide 9). He stated that the survey request would be submitted to all the county clerks. He explained that he had collaborated with some of the counties to ensure that there was uniformity in reporting among the counties. He hopes to have the information to share at the next committee meeting.

Mr. Bybee offered the following ideas that could help the Legislature accurately examine and compare local government budgets:

- Provide direction that city and county budgets be submitted to LSO in a “functional areas” format;
- Provide direction in annual audits that show “rainy day” funds in addition to unrestricted fund balances; and
- Providing additional transparency in budgeting and auditing documents that are user friendly to the public.

### Discussion

Senator Burgoyne asked whether, in an effort to provide transparency and education to taxpayers to better understand their property tax bills, it would require the State to amend provisions of state law to ensure that the information be made available to state taxpayers. Mr. Bybee responded that some draft legislation had been discussed to potentially address this issue. He also noted that many county clerks publish this information and it may be a question of educating the public on where this information can be found.

Senator Grow emphasized the need to identify any rainy day fund and to explain why the fund exists. He noted that unidentifiable large sums of money in local government budgets could draw a number of questions for local governments.

Representative Necochea referenced the pie chart and asked whether it was comprised of property taxes or an assortment of local revenue. Mr. Bybee responded that the pie chart included all the fund sources including property taxes, franchise fees, revenue sharing, etc.

Senator Guthrie referenced Mr. Bybee’s comments regarding some of the pushback he received from some of the cities. He noted that Mr. Bybee’s survey to the cities requested public information and asked whether Mr. Bybee thought a public information request would be needed for future requests. Mr. Bybee responded that some cities had asked him to submit a public information request, but he never received the information he requested. He suggested that some cities may be concerned about how the information could be used. He noted that there has been more dialogue with the local governments to explain the purpose of the survey requests.

Representative Gannon asked whether urban renewal was included in the local budget list provided. Mr. Bybee responded in the negative. He explained that this was due to how incremental financing programs work. However, urban renewal districts, and other local taxing districts that receive public financing, are part of the budget and audit program.

Representative Gannon noted two issues: 1) The manner in which assessments are made on property and 2) Potential for some entities that are not paying property taxes to benefit from local government budgets.

Senator Guthrie suggested that local governments could provide information on what they consider unfunded mandates and how they are currently funding them.

Senator Anthon reminded the committee that urban renewal agencies, under the law, are a separate body politic. As such, he said, they budget independently from cities and have their own budget hearings. He noted that urban renewal agencies are, however, required to report their activities to the State; the information is public record.

Representative Moyle suggested obtaining data regarding the amount of funding that is redirected to cities from the State. Co-chair Rice agreed that this information would be useful to determining whether the State has or has not produced unfunded mandates for local government units.

The committee recessed for a break at 10:00 a.m.

The committee reconvened at 10:18 a.m.

#### **Transparent Idaho: Brief History and Demonstration of the Current Functionality and Benefits of Transparent Idaho - Brandon Woolf, State Controller, State Controller's Office**

Co-chair Addis called upon Controller Woolf to [present on Transparent Idaho](#), describe its benefits, and provide a demonstration of the program. Controller Woolf emphasized the importance of fiscal conservancy and transparency efforts. He referenced the downward trend on the chart on [slide 2](#) to highlight that public trust in the federal government remains at a historic low. He explained that Transparent Idaho is a major step toward making government spending transparent in Idaho and consumable for its citizens. He commented that his team had taken 75 million rows of data and made it available in a platform that utilizes interactive charts and graphs to make it tangible to the public.

Controller Woolf stated that this tool strives to do the following:

- Restore public trust;
- Instigate a cultural change in the public sector;
- Deter fraud;
- Increase accountability; and
- Provide validity for data-driven decisions.

Controller Woolf informed the committee that after the release of Transparent Idaho, a data science professor from Idaho State University expressed interested in having her students analyze the state data. He commented that the results of the data exploration showed that there are areas for possible improvements for reducing costs (slide 6). He noted that his team is working with the Department of Administration to coordinate a path forward to address cost savings and efficiencies.

Controller Woolf directed the committee to the Transparent Idaho [website](#) and provided a brief demonstration of its functions and capabilities. He noted that in the upcoming months, his team will expand to track local government data and possibly several forms of financial data. His vision is to have one website portal for all the data in Idaho. He commented that the site does not have all the budget information for local governments, but the subsequent presentation will identify some possible ideas to address this.

Controller Woolf thanked the Association of Idaho Counties for their collaborative efforts to make Transparent Idaho a success.

### Discussion

Representative Moyle asked whether the State of Idaho owned the data on the Transparent Idaho website. Controller Woolf responded that the State owns the data, but pays a subscription fee to a company to use the tool that stores, organizes, and filters the data. Representative Moyle asked whether the State can create a similar tool. Controller Woolf responded that it may be possible for his team of developers to design and build a similar tool. He stated that he could provide a cost-benefit analysis in the future regarding whether it would be costlier for the State to design, build, and manage a similar tool.

Senator Burgoyne asked whether Transparent Idaho provides details regarding property taxes – specifically what influences property tax bills. Controller Woolf responded that the details for property taxes are not available on Transparent Idaho at this time.

The committee recessed for a break at 11:01 a.m.

The committee reconvened at 11:15 a.m.

### **Transparent Idaho: Art of the Possible - Uniformity and Standardization - Joshua Whitworth, Chief Deputy Controller, State Controller's Office**

Co-chair Addis called upon Mr. Whitworth to present the second half of the [Transparent Idaho presentation](#) regarding uniformity and standardization of data and information. Mr. Whitworth noted that the State was able to input the CARES Act data into Transparent Idaho relatively quickly. He emphasized that in order to be data driven, the data needs to be accurate, timely, and put into context. His presentation would address the opportunity at hand, challenges that could present themselves, and the pathway forward to this data driven goal. He noted that the amount of time and resources needed to gather data can exhaust the time needed to address issues in a timely manner, particularly the COVID pandemic.

Mr. Whitworth directed the committee to an example of a citizen attempting to gather data from various entities regarding the amount of money spent on public safety (slide 12). He emphasized that storing this data in a single database could make it easier and less time consuming for the public to find this information. He noted that in order to accomplish this, the data must be standardized. He explained that this could be done by using a standard “chart of accounts,” which provides the ability to view and compare entities across the state.

Mr. Whitworth listed the challenges to standardizing the data:

- Every entity is unique and utilizes different organizational structures;
- Severe lack of standardization across political subdivisions and rare standardization within a political subdivision;
- Different financial systems utilized by most political subdivisions; and
- The complexity of data.

Mr. Whitworth noted that several states have standardized the reporting for their political subdivisions. He explained that once the standard of public data is set, the information can be freely accessed and shared. He emphasized that the proper approach to this goal is to:

- Collaborate with all political subdivisions;
- Create a reporting standard for all political subdivisions of the State;
- Cross walk each entity to the reporting standard; and
- Automate [the data] where possible.

He also briefly described the benefits of Transparent Idaho, namely:

- Single source of data;
- Potential decrease of public record requests for public information;
- Potential cost savings;
- Standardized reporting will allow for greater efficiency; and
- Policymakers would be able to track the performance of initiatives with greater ease.

Mr. Whitworth emphasized that standardizing the data would not be easy, but would provide a number of benefits. He suggested that this type of transparency across the state is not only possible, but it is also the duty of public servants to help citizens better engage with the government based on trusted data.

### Discussion

Senator Burgoyne asked whether taxpayers can find certain costs (e.g., county fairs, prosecution of felonies, etc.) to counties and cities on Transparent Idaho. Mr. Whitworth responded in the negative, noting that this information is not currently shared by local governments. He emphasized that storing and providing this data from one single source is the goal. Representative Gannon inquired about the cost estimate to put local government budgets into Transparent Idaho. Mr. Whitworth responded that estimates range from \$800 thousand to \$2 million dollars.

Senator Burgoyne asked how long it would take to make the variables that affect property taxes available on Transparent Idaho. Mr. Whitworth explained that the site currently focuses on revenue and expenditures. However, he said, to educate the public on these variables, it's important to include the relevant data on the site. He commented that context could also be placed around this data to make it easier to understand.

Representative Vander Woude asked whether any pushback could be expected from the local governments once the public begins analyzing and critiquing the spending and budgeting data. Mr. Whitworth responded that some pushback may take place, but a shift in culture will be needed. He emphasized that providing more transparency will increase confidence in the government.

Senator Guthrie asked about the progress among state agencies to standardize technology efforts, given the interest in leading by example. Mr. Whitworth responded that the path to modernization is the LUMA project and the first phase will go live on July 1, 2021. He explained that this project will remove some of the redundancy that takes place among state agencies.

The committee recessed for a lunch break at 12:01 p.m.

The committee reconvened from lunch at 1:39 p.m.

### **Reporting School District Budget Data on Transparent Idaho Website (via video conference) - Representative Horman, House of Representatives, Idaho State Legislature**

Co-chair Addis called upon Representative Horman to present next regarding school district budget data and some of the challenges and benefits of including the data on Transparent Idaho. Representative Horman informed the committee that, last year, the school business officials in her area invited the District 30 legislators to a meeting. One of the concerns brought forward by the officials was the potential vulnerability of financial transaction data that they are required to post by law on the district website. She explained that the description of the purpose for expenditures can be one of the greatest vulnerabilities because the person entering the data could potentially include a social security number or private address. She noted that the information posted on the website is public record and does not include information that is confidential or otherwise exempt from disclosure from state or federal law.

Representative Horman informed the committee that the appropriation for the public school budget this year was \$2.34 billion. The budget was comprised of just under \$2 billion in state general funds, \$200 million in dedicated funds, and \$250 million in federal funds. She noted that this year, the

Legislature added \$87 million in new state general funds to public schools. She said that since then, there have been rescissions and holdbacks in the public school budget, but the State has also received tens of millions of dollars from CARES act funding, some of it specifically for schools.

Representative Horman noted that the State still did not know the amount of the Public Education Stabilization Fund (PESF) transfer for the end of the fiscal year. She explained that PESF is used to cover variances (either over or under) from the original appropriation. She commented that the transfer used to be a few million dollars, but in the last three years the transfer has been in the \$20 to \$30 million range. She suggested that a more transparent job of budgeting is needed or a different process should be put in place to handle these variances. She further explained that, when this transfer is taken into account, the increase in percentage for the public school budget is higher. She opined that this was not the best method to budget public schools and that a different budgeting method would be needed moving forward.

Representative Horman reminded the committee that in 2019, Idaho Education News reported that school districts were holding \$322 million in their reserves. She emphasized the magnitude of spending that occurs in public schools and the critical need for transparency.

Representative Horman informed the committee that she had met with State Controller's Office (SCO) to discuss the security concerns brought forward by a local school district in her legislative district regarding publishing financial transaction data online. They discussed how this information could be included on Transparent Idaho where there is a consistent, high level of security. She suggested that it made more sense to include this information on Transparent Idaho versus publishing financial transaction data on over a hundred school district and charter school websites. She noted that the school districts could continue to post their budgets, contracts, and their master contract on their local website.

Representative Horman reminded the committee that schools are already required to publish the financial transaction data. She emphasized that changing the publishing location of this data to Transparent Idaho would provide the advantage of having this information published with a high level of security, not to mention the advantages of having the information located in one single area.

### Discussion

Co-chair Addis inquired about how difficult or simple it would be to include the public school financial transaction data on Transparent Idaho. Mr. Whitworth responded that it would be relatively easy because the school districts already report this information to the State Board of Education. He explained that it would be a matter of determining the most efficient way to transfer the data to Transparent Idaho.

Co-chair Rice asked whether it would be difficult to distinguish the portions of the budget that come from property tax and levies on Transparent Idaho. Mr. Whitworth was unsure; SCO would have to look at the dataset. Representative Horman added that the Idaho Education News' website provides a breakdown of what percentage of the school's total budget comes from state, federal, and local sources.

### **Committee Discussion**

Co-chair Rice invited the committee to share their suggestions for future committee meeting agendas with the co-chairs. He commented that the co-chairs intend to invite the counties and cities to present on the redundancies or inefficiencies in services provided.

Senator Guthrie emphasized the need to set the tone for local taxing districts that the objective of the committee is to provide sensible tax relief, whether that's through a different tax structure model or a different method to assess properties. He encouraged the cities and counties to approach the committee with some ideas on how best to change tax policy.

Senator Guthrie also suggested that it may be helpful to have other states present before the committee any innovations that address the topics that concern the committee and its charge.

Senator Burgoyne opined that the focus of the committee should be on reducing property taxes. He voiced his preference for a property tax cut that would reduce the property tax bills people pay by about 50% to 75% and to also find an alternative for financing the cost of government. He suggested reviewing the sales and use tax as one possible alternative in terms of revenue. He emphasized the need to reduce property taxes to a level where the inherent inequities and the inherent complexities do not have such profound effects. He emphasized that the committee's focus should be on reducing taxes and reforming the tax model.

Senator Grow referenced the amount of property taxes that are collected relating to supplemental school levies. He reminded the committee that the increase in sales tax in 2006 was supposed to increase the funding for schools and eliminate the need for levies. He suggested that some substantive discussion is needed relative to school funding and the constitutional requirement that students receive a comparable education, noting that funding is not uniform throughout the school districts.

Representative Gannon looked forward to discussing assessments, a significant concern in Ada County and other counties, in future meetings. He would like the committee to discuss alternative taxes and tying it to property tax reductions. He emphasized the need to review property tax exemptions and ensure that they are fair.

Co-chair Rice commented that replacing one tax for another is not tax relief. He explained that increasing certain tax rates can cause inherent problems.

The committee adjourned at 2:27 p.m.